

GOVERNOR'S BUDGET EXECUTION POLICIES  
FISCAL YEAR 2002

1. **Scope and Applicability.** The Governor's Budget Execution Policies and Instructions shall apply to all means of financing appropriated and authorized by H.B. No. 200, H.D. 1, S.D. 1, C.D. 1 (the General Appropriations Act), as well as other specific appropriations authorized for expenditure in FY 02 by the 2001 Legislature, or other legislative session.

Expenditures authorized for the capital investment cost category shall be subject to applicable policies specifically identified herein, and to specific procedures in E.M. No. 97-07, "Procedures for Requesting the Implementation of Capital Improvement Projects" (dated June 19, 1997), as amended by E.M. No. 99-01 (dated February 5, 1999), and other applicable provisions, guidelines, and general statutes.

2. **General Statement of Policies.** State agencies shall implement appropriation acts dealing with operations of State government in conformance with the purpose of such acts, and shall carry out such purposes efficiently, economically, and with due respect to the financial condition of the State, and all applicable laws.
  - a. Departments shall plan program operations and expenditures for the fiscal year at levels necessary to accomplish program goals within allocation ceilings approved for the department, pursuant to Part II of Chapter 37, HRS.

Total expenditures and total positions designated for each program in each fiscal year shall not exceed the sums and number appropriated or authorized, and allocated by me, except as otherwise provided by law.
  - b. Expenditure plans shall be developed within allocated amounts consistent with legislative direction and Executive priorities. These plans shall be prepared and submitted to the Department of Budget and Finance (B&F) according to **Attachment B**.
  - c. Program reports of affected activities, attainments, and expenditures corresponding to proposed allocations by allotment periods shall be submitted according to **Attachment B**.
  - d. FY 02 departmental Requests for Allotments (Form A-19) shall reflect quarterly allocations for the full year, by program I.D., and Means of Funding, as described in **Attachment B**, except as otherwise provided.

- e. For all means of financing, full-year implementation plans for *out-of-state travel*; *proposed staffing of position vacancies*; and *major purchases*, shall be submitted to B&F as further described herein and in Attachment B. Quarterly updates shall also be submitted for each category to monitor implementation.

The Department of Education (DOE), including Public Libraries, and the University of Hawaii (UH), are not required to submit the three plans, nor quarterly updates. All other departments that do not comply with the *annual and quarterly reporting* requirements will be subject to the review and approval procedures described in E.M. No. 01-04, dated April 3, 2001.

- f. *Special fund expenditure plans shall include estimates of transfers to the general fund as required by Sections 36-27 (Assessments for Central Services Expenses) and 36-30, HRS (Assessments for Departmental Administrative Expenses), or as otherwise provided by law. Such assessments should be within authorized appropriations and treated as first charges against the respective funds. Transfers shall be made to the general fund on a quarterly basis.*
- g. As appropriate, every effort shall be made to utilize authorized federal and other non-general revenue resources to provide services which meet similar objectives of programs for which State funds are authorized.

All agencies receiving federal funds for operational purposes shall review such operations for possible changes in anticipated federal or other grants. It is not to be assumed that State funds will replace any reduction in federal or other grant funds; nor should it be assumed that State funds will be increased to qualify for increases in available federal matching funds. Program need and statewide priority must be demonstrated.

- h. *Efforts to conserve energy are emphasized. Consumption levels shall be monitored by managers to ensure that energy usage is appropriate and necessary. E.M. No. 96-01 (Fiscal and Energy Management), and E.M. No. 00-02 (Energy Conservation) provide further direction and guidance.*
  - i. The implementation of program budgets shall be consistent with the overall theme, goals, objectives and policies of the priority guidelines contained within applicable approved functional plans, and as contained within Chapter 226, HRS, as amended by Act 59, SLH 2001 (Relating to State Planning).
- 3. **Allocations.** Exhibit 1 contains your department's FY 02 allocation and position ceilings.
  - 4. Oversight and control shall be executed in accordance with Part II of Chapter 37, HRS; Section 37-74, HRS; and other applicable legislation and statutes.

5. **Manpower Control.** Only authorized budgeted positions may be considered for establishment and filling (regardless of the means of financing), unless otherwise provided by law.

“Authorized Budgeted Positions” are positions that have been authorized and funded in the General Appropriations Act, or in other specific legislation still in effect. Such positions would be based on a program's appropriate BJ-1, BJ-1A, or BT tables, or as referenced in specific legislation. Authorized positions should be within the same position classification series and of the same means of financing, as described in the budget BJ details.

- a. **Position Allocation Ceilings.** The number of authorized full-time equivalent (FTE) positions which may be established and filled by each department shall not exceed the total number allocated to each respective department, by means of financing.
- b. **Establishment and Filling of Positions.**

- b.1 An *Annual Vacancy Staffing Plan* for FY 02 shall be prepared and submitted to B&F in accordance with the attached *Form A* and instructions.

Subsequent implementation of vacancy staffing actions is delegated to individual department heads as long as the manpower action is consistent with the submitted annual plan. Manpower actions may deviate from the annual plan, as long as the actions are consistent with allowable actions under “b.2” below. *Quarterly updates* will also be required, and shall be used to report any such deviations from the initial annual staffing plan.

- b.2 The following actions are delegated to individual department heads based on the *Annual Vacancy Staffing Plan*.

- Authority to fill authorized, budgeted permanent positions (newly-authorized or currently existing). Department heads may make initial appointments (NTE 90 days) to fill existing vacant positions on a temporary hire basis. Department heads may also approve any extensions or subsequent filling of such temporary hire positions (including emergency hires); however, if such actions are unreported in the annual staffing plan, they shall be reported in the next quarterly update.
- Authority to establish and fill temporary positions authorized by the Legislature, and/or extend filling of currently budgeted temporary positions.

- Authority to establish and fill civil service positions created by general law, which are not reflected in H.B. No. 200, H.D. 1, S.D. 1, C.D. 1.
- Authority to establish and fill federal or trust-funded positions in programs where the conditions of the federal or trust funding allow or require the filling of positions (possibly in excess of authorized position ceilings).

b.3 Proposed actions to establish, or extend authorized positions that are exempt from civil service pursuant to Section 76-16(2), (3), (10), (12), (15), and (17), HRS, shall be reported in the *annual and quarterly staffing plans*, and shall **also** be subject to the review and approval of the **Department of Human Resources Development (DHRD)**, prior to implementation.

Filling of authorized positions exempted by other subsections of Section 76-16 are delegated to department heads.

b.4 Any changes from the full-year vacancy staffing plan, shall be reported on the next *quarterly update* of the annual plan. B&F may require additional information, as appropriate.

c. Program positions should be of the same position classification series described in BJ details of the approved budget. Any variance from such authorization must be supportable by appropriate justification or legislative authorization, and must be consistent with policies in Administrative Directive (A.D.) No. 90-13 (February 5, 1990), and as provided herein.

Positions reported in *annual and quarterly staffing plans* which subsequently change classification series (position variance), must comply with applicable conditions below. Further, **all variances** (regardless of cost differential) shall be reported in the next *quarterly report*.

- c.1 Department heads are delegated the authority to change a position's classification series (position variance) where the cost difference is no more than 20% above the authorized budgeted amount.
- c.2 Requests to change a position's classification series where the cost difference exceeds 20% of the authorized budgeted amount shall require my prior approval.
- c.3 Other specific or general legislated authorizations to implement position variances as provided by H.B. No. 200, H.D. 1, S.D. 1, C.D. 1, by general statute, or any other Act of the Legislature, shall be submitted

to me for review in the manner prescribed above, to ensure compliance with legislative intent.

- d. Other General Provisions.
  - d.1 Each department shall provide for the most efficient and economical use of manpower.
  - d.2 Departments shall limit and monitor the use of overtime for each month. Monthly program reports shall be made available to B&F, upon request.
  - d.3 All positions and/or personnel-related costs shall be funded within currently approved departmental allocations.
  - d.4 Reporting requirements: *Annual and Quarterly* updates of departmental staffing plans shall be submitted to B&F as provided in **Form A** (with instructions) and **Attachment B**.
- 6. Funds Subject to Allotments. All means of financing appropriated or authorized by the Legislature for FY 02 shall be subject to the allotment process as provided by Section 37-33, HRS. Unencumbered allotment balances at the end of each allotment quarter shall revert to the related appropriation account, except for DOE and UH pursuant to general law; except as otherwise provided by law; or pursuant to Section 37-40, HRS, or by procedures specified in **Attachment B** with respect to trust funds.
- 7. Deficiency Spending Prohibited. There shall be no expenditure of funds in excess of amounts appropriated and allotted, nor shall agencies establish positions in excess of numbers authorized and allotted, unless otherwise provided by specific legislation.
- 8. Lapsing of Funds. Operating funds appropriated for FY 02 not expended or encumbered as of June 30, 2002, shall lapse on that date, except as provided for DOE, or as otherwise provided by law.
- 9. Transfer of Positions and/or Funds.
  - a. Unless otherwise provided, **Section 151** of H.B. No. 200, H.D. 1, S.D. 1, C.D. 1, authorizes, with my approval, the transfer of same means of funding, between operating appropriations within an expending agency for operating purposes.

Other provisos in H.B. No. 200, H.D. 1, S.D. 1, C.D. 1, authorize transfers under certain conditions. To the extent possible, anticipated transfers should be identified in full-year expenditure plans and A-19s.

- a.1 All requests for transfer authorization shall be routed to me through B&F for approval.
    - a.2 All requests for transfer shall include appropriate references to authorizing sections or statutes.
    - a.3 See "Allotment balances/Transfer of funds," for other allotment limitations.
    - a.4 Specific transfer authority and responsibilities have been delegated to the UH and DOE pursuant to provisions of general law.
  - b. **Section 152** allows the transfer of positions within a department or agency; provided that total position ceiling allocations are not exceeded, there is no change in the authorized means of financing of the position count, and such transfers do not conflict with, or circumvent the intent of other laws. To the extent possible, anticipated transfers of vacant positions should be identified in the full-year *vacancy staffing plan* and operational expenditure plans.
  - c. All requests for transfer authorization shall be routed to me through B&F for approval.
  - d. Any requests for transfer shall include appropriate references to authorizing sections or statutes.
  - e. See "Allotment balances/Transfer of funds," for other allotment limitations.
  - f. Specific transfer authority and responsibilities have been delegated to the UH pursuant to general law.
10. **Delegation by Department Heads.** As permitted by applicable general laws, department heads may delegate authority to approve expenditures covered by this memo, which have been deemed to be within the Director's authority, to **one** appropriate designated deputy, officer or manager in the director's respective department. The Comptroller of the Department of Accounting and General Services (DAGS) must be notified of such delegation in writing.
- Delegation for procurement authority shall be in accordance with Chapter 103D, HRS, and Subchapter 3 of Chapter 3-121, Hawaii Administrative Rules.
11. **Contracts.**
- a. All contractual funding agreements are contingent on the availability of funds. Departments should exercise caution in negotiating contracts with funding obligations that extend beyond the fiscal year.

- b. Procurement of all approved goods or services shall comply with applicable provisions of Chapters 103D or 103F, HRS; guidelines and directives issued by the Department of the Attorney General (AG) and DAGS, as applicable; and any other pertinent requirements of statute, regulation, rule, order, or other directive.
- c. Financing Agreements
  - c.1 Financing agreements shall be subject to provisions of E.M. No. 96-17, Implementation of Act 119, SLH 1996, Relating to Municipal Leases, dated November 15, 1996, except as otherwise provided.
  - c.2 Financing agreements subject to Chapter 37D, HRS (either CIP or operating, regardless of cost), and not yet executed, must obtain the prior approval of the Director of Finance and the AG before implementation. UH shall comply with provisions of Act 31/99.
  - c.3 The sale, assignment, refinancing, or other disposition of any lease subject to Chapter 37D, HRS (including certificates of participation), shall require the prior approval of the Director of Finance.

S.B. No. 1054, S.D. 2, H.D. 1, establishes a centralized Master Lease financing program to include a line-of-credit financing option, for the purchase of depreciable assets (such as equipment and motor vehicles) at favorable tax exempt rates. Separate instructions on implementation of this program shall be issued at a later date.
- d. Consultant/Personal Services (All MOF) shall be transmitted to me through B&F and the AG, for my prior approval.

Exceptions: Authority is delegated to department heads to make the following expenditures, unless applicable to "financing agreements" in Item 11c above:

- Initial requests for consultant or personal services where total projected costs will be not more than \$25,000.
- The request is not an amendment to any previous or existing contract.
- Medical services contracts.
- Legal services contracts approved by the AG.
- Personal services contracts for expert witnesses for the AG.

- Engineering and architectural services for Repair and Maintenance projects funded as operating costs.
- e. Audit contracts shall be subject to DAGS' procedures, under Comptroller's Circular No. 1994-02, and do not require my prior approval, except when departments elect to delegate such functions to DAGS under conditions of Section 163 of H.B. No. 200, H.D. 1, S.D. 1, C.D. 1.
- f. Design consultants are subject to the provisions of Chapter 103D, Hawaii Revised Statutes.
- g. Engineering, architectural and other consultant/personal services contracts related to CIP implementation shall be subject to my review via the regular A-15 allotment approval process.
- h. Hawaiian Home Lands employee contracts exceeding six years pursuant to Section 202(b), HRS, shall be submitted directly to me for approval.
- i. Extension of Contracts Still in Effect. Requests to extend contracts which have expired are not permitted. Departments intending to extend current contracts must obtain authorization to do so before the contract expires.

Departments anticipating contract extensions should submit such requests not less than one month before the contract's expiration date. If a contract expires before an authorization for extension has been granted, departments must enter into a new contract with that party.

- j. Reports shall be made available to B&F upon request.
  - k. UH and DOE shall be exempt from these provisions except for Sections a, b, c and i above, as applicable.
12. Travel. The following procedures and guidelines shall apply:
- a. Out-of-State
    - a.1 An *Out-Of-State Travel Plan* for FY 02 shall be prepared and submitted to B&F in accordance with the attached instructions and **Form B**.
    - a.2 Out-of-state travel is delegated to department heads.
    - a.3 Any unanticipated travel not on the initial annual travel plan, or any deviations (costs, destinations, purpose, time, etc.) from the annual travel plan, may be approved by department heads, but shall be reported on the department's next *travel plan quarterly update*.



Departments shall provide B&F with additional information as required.

b. Intra-State

Approval for all intra-state travel is delegated to department heads, within parameters of available funding, program necessity, and other applicable statewide travel policies.

c. Departments shall continue to comply with DAGS travel rules and procedures.

d. Reports of all travel shall be made available to B&F upon request.

13. Federal Funds. All departments receiving federal funds for operations and capital improvements should not assume that State funds will replace the loss of any federal-aid money, nor should it be assumed that State funding will be increased to qualify for increases in available federal matching funds.

a. Requests to apply for and expend non-appropriated federal funds, and requests to expend federal funds in excess of appropriations, shall require my prior approval pursuant to requirements described in A.D. No. 96-04, "Non-General Funds - Requests to Apply for Funds, Expend Funds, or Increase Authorized Levels of Expenditure."

b. Federal Fund Deposits. All federal funds received by departments shall be deposited into the State Treasury, unless otherwise provided by federal funding conditions; or specifically exempted from this provision by competent authority acknowledged by the Director of Finance.

c. Recovery of Indirect Costs and Fringe Benefits from Federal Grants and Contracts. State agencies administering federal grants and contracts shall pursue the recovery of indirect costs and fringe benefits. Federal payments shall be deposited into the general fund. Source code 0579 and the department's alpha code should be used.

14. Special and Revolving Fund Receipts/Expenditures.

a. All Special and Revolving funds must have been authorized and appropriated by law in order to be expended.

b. Authorized and appropriated special and revolving funds can only be expended up to levels available in such funds.

- c. Special and revolving fund expenditures in H.B. No. 200, H.D. 1, S.D. 1, C.D. 1, are limited to amounts appropriated therein, except as otherwise provided by law.
- d. Appropriated special and revolving funds authorized by law to expend in excess of appropriated amounts, shall require my prior approval before making such expenditures. Requests for expenditure shall be routed to me through the AG for review.

15. **Trust Funds.**

- a. Pursuant to Section 37-40, HRS, expenditures of trust funds are permitted up to levels of available receipts, except as otherwise provided by law, or except as limited by conditions of the trust agreement or fund.

Section 37-33, HRS, allows the Director of Finance, as required, to prescribe regulations for controlling expenditures and encumbrances of funds which have not been appropriated on a regular basis.

- b. Trust funds appropriated in H.B. No. 200, H.D. 1, S.D. 1, C.D. 1, which an agency seeks to expend in excess of authorized appropriation levels, must comply with reporting requirements described in **A.D. No. 96-04**, "Non-General Funds - Requests to Apply for Funds, Expend Funds, or Increase Authorized Levels of Expenditure."

16. **Reimbursements From Federal or Other Funds.** Pursuant to Section 159 of H.B. No. 200, H.D. 1, S.D. 1, C.D. 1, all federal or other fund reimbursements shall be deposited into the general fund or the appropriate fund account that provided the original advance funding, except as otherwise provided by law. Expenditure of reimbursements without legislative or statutory authorization or appropriation may be considered to be in violation of Sections 37-31 and 37-42, HRS.

17. **Gifts or Private Contributions to Programs.** Where specific special, trust, revolving or private funds have not been established for such purposes, agencies shall be responsible for demonstrating that such authority is consistent with applicable statutes and appropriate expenditure provisions of the State Constitution, and must receive my approval prior to the receipt and expenditure of such contribution or gift.

18. **Information Systems Technology (IT) and Telecommunication (TC) Services, Facilities and Resources.** All IT and TC services, facilities, and resources are functions of the Information and Communication Services Division (ICSD) of DAGS, under the authority of the Comptroller.

- a. DAGS shall have general supervision and control over the acquisition and utilization of IT and TC facilities and resources within the Executive Branch

and may grant exemptions from A.D. 77-02, as amended, and A.D. 87-01, as amended.

Note: A.D. 77-02 was amended by E.M. No. 93-11 (delegation of IT and TC personnel actions), dated December 14, 1992, and E.M. No. 94-08 (delegation of certain computer hardware and software acquisitions), dated August 31, 1994, and was clarified by Director of Finance memorandum dated October 18, 1994. A.D. 87-01 was clarified by Director of Finance memo dated February 1, 1993 (Department of Education), and August 31, 1994 (cellular and pager equipment).

- b. *Applicable statutory provisions, such as Chapters 103D, 76 and 77, HRS, are still to be observed by departments and agencies.*
- c. All IT and TC consulting services and all other IT and TC related services must obtain A.D. 77-02 and A.D. 87-01 approval from Comptroller.

Only IT or TC related consulting service requests that have been approved and/or cleared by the Comptroller shall be submitted to me through B&F for my approval, in accordance with item 11 as provided herein.

Note: The required review and approval by the Comptroller pursuant to A.D. 77-02 or A.D. 87-01, shall be conducted and completed by the ICSD. The ICSD requires at least two work weeks advance time to complete its review and recommendation.

- d. Departments or agencies contemplating acquisition of any IT or TC facility, service, hardware or software must plan the acquisition project as required by DIPIRM Plans and as required by A.D. 77-02 or A.D. 87-01 instructions. The review and approval process of the ICSD for the Comptroller requires specific reference to DIPIRM Plans, which address criteria for the technical review of such requests.
  - e. Ongoing IT services, such as hardware or software maintenance, should be considered as operational expenses and shall not require A.D. 77-02 or A.D. 87-01 approval, but shall comply with applicable provisions provided herein.
  - f. Other IT or TC products or services that are not operational expenses and are not included within A.D. 77-02 or A.D. 87-01 policy and procedures, shall require prior approval by the Comptroller to assure compliance with the State's strategic direction for IT/TC, as are all acquisitions of IT/TC items.
19. Lease/Rental of Office Space. Section 171-30, HRS, provides DAGS with the responsibility for any lease, rental, or other acquisitions of privately owned office

space for use by State departments or agencies. Departments shall submit all requests (new, ongoing, or amended) through the Comptroller under procedures established by DAGS. Pursuant to Comptroller Memo No. 1994-28, "*Office Space Leases in Non-State-Owned Buildings*," all requests for new leases, expansion of existing office space and new requests tied to federal mandates, must comply with this requirement. These requests will require the Governor's approval, and there shall be no exceptions to this requirement. All requests shall be submitted with current organization charts, other appropriate staffing documentation, and rental/lease costs, to justify the cost-effectiveness of additional space requirements.

20. **Risk Management and Insurance Program.** Except for UH, Comptroller Memo No. 1989-6 (dated February 15, 1989) provides guidelines and shall govern departmental procedures with respect to the operations and implementation of a comprehensive State risk management and insurance program.

Comptroller's Memo No. 1999-28 (dated September 23, 1999), provides that individual agencies shall be responsible for funding costs of risk management benefits received under Chapter 41D, HRS. Departmental budgets for FY 02 include funding for estimated allocable risk management costs, regardless of means of funding. Pursuant to procedures described by Comptroller's Memo No. 1999-28 and Section 165 of H.B. No. 200, H.D. 1, S.D. 1, C.D. 1, agencies are reminded to transfer funds budgeted for risk management costs to AGS 203 (Risk Management) for administration and implementation.

21. **Procurement of Goods, Services, or Construction.**

- a. **Hawaii Public Procurement Code.** Except for UH, all departments and agencies delegated the authority to purchase by the Chief Procurement Officer shall be in compliance with Chapter 103D, HRS, and its applicable rules in Chapters 3-120 to 3-132, Hawaii Administrative Rules, as issued by the Procurement Policy Board.
- b. **Price and Vendor Lists.** All departments and agencies, except UH and DOE, are required to purchase their requirements for goods and services from State Procurement Office (SPO) issued price and vendor lists. The UH and DOE may enter into a cooperative agreement to procure from SPO price lists.
- c. "Parceling" as defined by Section 103D-305, HRS, is strictly prohibited.
- d. Department heads are delegated the authority to purchase budgeted equipment and motor vehicles, (except for computer-related purchases, which are subject to DAGS/ICSD policies), **costing no more than \$25,000.**
- e. *An Annual Major Purchase Plan* shall be prepared and submitted to B&F in accordance with the attached **Form C** and instructions for purchases

contemplated in FY 02 which entail single purchase orders of equipment, or motor vehicles costing \$25,000 or more.

- e.1 Purchases shall be governed by DAGS' guidelines and procedures.
- e.2 Subsequent on-going implementation of major purchases is delegated to individual department heads. Emergency or other purchases not on the initial plan may be made if the actions are consistent with DAGS' SPO guidelines, and are reported in the next *quarterly plan* update of major purchases.
- f. Equipment. "Equipment" is tangible property of a more or less permanent nature (other than land or buildings and improvements thereon) which is used in an operation or activity. Examples are machinery, tools, furniture and furnishing, and certain vehicles such as farm tractors, mowing machines, and plows required for the performance of program tasks. For budget purposes, "equipment" **excludes** general-use motor vehicles such as trucks, cars, and buses which are covered under "motor vehicles."
  - f.1 Requests to purchase equipment under A.D. 77-02 or A.D. 87-01 (relating to IT and TC Services, facilities and resources) shall:
    - 1) obtain preliminary approval from ICSD; then 2) submitted to me for my approval.
  - f.2 Single purchase orders of equipment costing \$25,000 or more must be included in the *Annual and/or Quarterly Major Purchase Plans* of the agency with funding appropriated for the equipment.
- g. Motor Vehicles. For budget purposes, "motor vehicles" include "passenger cars," "pickup trucks," "sports wagons," "vans," "buses," or any self-propelled vehicles designed for carrying or transporting passengers and/or property, and generally drawn upon a road or highway.

Heads of purchasing agencies are delegated authority to procure motor vehicles, pursuant to Chapter 103D, HRS, subject to the following:

- g.1 All passenger vehicles, leased or purchased, new or used, shall require Comptroller's approval. Review for approval shall consider vehicle type, size, and availability from DAGS Automotive Management Division (DAGS-AMD) motor pools.
- g.2 Passenger vehicles shall conform to the standard specifications and criteria issued by DAGS-AMD. Exceptions to the standards shall require Comptroller's review and approval.

- g.3 Specifications for other than passenger vehicles, including exceptions to the DAGS-AMD standards, shall be the responsibility of the individual purchasing agency.
- g.4 Used motor vehicles require the approval of the head of the purchasing agency and, for passenger vehicles only, the approval of the Comptroller as provided above.
- g.5 Used motor vehicles acquired from the SPO Surplus Property program are not subject to Chapter 103D, HRS, but shall comply with g.4 provisions above.
- g.6 Motor vehicle purchases costing \$25,000 or more must be included in the *Annual and/or quarterly Major Purchase Plans* of the agency with funding appropriated for the motor vehicle.

22. Allotment of Funds to Private Agencies.

- a. Appropriations for grant, subsidy, or purchase of service agreements shall be subject to the allotment system generally applicable to all appropriations made by the Legislature.
- b. Expenditure of appropriations for subsidies and grants shall require my prior approval. All grant/subsidy funds shall be initially reported in column 10 of Form A-19 at the start of the fiscal year. With my approval, an amended A-19 shall be submitted to reallocate approved grant/subsidy funding from column 10 to the appropriate quarter.
- c. Funds shall not be allotted where it has been determined that private agencies have not complied with qualifying provisions and procedures of Chapters 9, 42F, 103D, or 103F, HRS, as applicable.

23. Request for Allotment of Funds.

- a. Within departmental fund allocations, department heads will be allowed to implement **legislatively-authorized** new programs or to improve existing services authorized under Part II of H.B. No. 200, H.D. 1, S.D. 1, C.D. 1, and other specific appropriation acts, or which are consistent with program budgeting guidelines and objectives pursuant to Section 37-74, HRS.

Appropriations used for the initiation of **authorized** new programs or for the improvement of existing services or which are consistent with Section 37-74, HRS, will be reflected in the operational expenditure plan, where these items shall be separately identified in the narrative portion of the expenditure plan. All authorized new programs, or improvement to existing programs planned

for implementation by the agency, must be within allocation ceilings, and supported by appropriate evaluations or justifications.

Program appropriations authorized under Part II, and not planned for implementation in the fiscal year, will be reflected in the restricted column on both the operational expenditure plan and Request for Allotment (Form A-19). (See **Attachment B** for guidelines and procedures.)

- b. Initial full-year program operational expenditure plans and A-19s (Request for Allotment) should show accounts by "10" (payroll) and "20" (others), which must coincide with updated BJ details of H.B. No. 200, H.D. 1, S.D. 1, C.D. 1, or with provisions of the authorizing specific appropriation, as applicable.
24. **Allotment Balances/Transfer of Funds.** Request for Allotment (Form A-19) and Request for Transfer of Funds (Form A-21) will be used as appropriate, for adjustments of program allotment accounts. As applicable, agency requests for the transfer of funds must be accompanied by a written justification **to me** stating the nature and reasons for the transfer, including its legal basis; and shall be subject to my approval. Unless otherwise provided, Section 151 of H.B. No. 200, H.D. 1, S.D. 1, C.D. 1, limits such transfers to operating funds between appropriations with the same means of financing within an expending agency.
- a. Anticipated A-21 transfers shall be identified in initial full-year expenditure plans.
  - b. This section shall apply to all programs and all means of financing, except for DOE and UH programs.
25. **Transfer of Vacation Credits.** Pursuant to Section 79-5, HRS, transfer of funds representing accumulated vacation credits shall be made only when an employee is transferred between government jurisdictions or between positions which are financed by different funds (means of funding). Transfer of vacation funds shall not be made if the transferred employee's salary is to be paid from the same fund. Vacation transfer funds are considered to be realizations to the general fund or the respective non-general fund.
26. **CIP Expenditures.** In general, departments are directed to consult guidelines and instructions in E.M. No. 97-07, "Procedures for Requesting the Implementation of Capital Improvement Projects," as amended by E.M. No. 99-01, for departmental CIP expenditures. Additionally, the following guidelines shall apply:
- a. Except as specifically authorized by legislative proviso, means of financing authorized for Capital Improvement Projects described in **Section 91** of H.B. No. 200, H.D. 1, S.D. 1, C.D. 1, may not be changed or substituted by other

means of financing or by funding appropriated for other cost categories, without legislative amendment, or as otherwise provided by law.

- b. General Obligation (G.O.) bond- or general-funded capital improvement projects described in **Section 91** of H.B. No. 200, H.D. 1, S.D. 1, C.D. 1, and requiring supplemental funding, shall utilize funds transferred pursuant to the provisions of Section 133 before requesting supplemental allotments from available project adjustment funds as provided by Section 135.
- c. **Departments with CIP appropriations must submit a CIP expenditure plan listing all projects currently authorized.** The projects are to be grouped by: 1) projects that will require allotments in FY 02, and 2) projects that will not require allotments in FY 02. The expenditure will serve as the basis for approving requests for allotments, contracts, etc.

Any existing report format that contains the required information may be submitted; otherwise, the sample format (**Attachment C**) should be used.

The "expenditure plan" shall be submitted to B&F no later than **July 13, 2001**.

All allotment requests must be consistent with the departmental "implementation plan."

- d. Expenditure plans for CIP projects funded by special funds, G.O. with debt service costs to be paid from special funds, revenue bond funds, or revolving funds, shall include projected six-year financial plans for the respective fund responsible for cash or debt payments.
- e. All allotment requests must be consistent with the departmental expenditure plan.
- f. **CIP Allotment Procedures**. The following shall be observed for requests to allot funds.
  - f.1 Projects authorized in H.B. No. 200, H.D. 1, S.D. 1, C.D. 1, or any prior Act which were Executive Budget requests shall be submitted directly to me for my approval. Approved copies of the request and allotment advice (AA) shall be submitted to B&F. A copy of the approved AA (with Governor's facsimile stamp) shall be submitted to DAGS, Uniform Accounting and Reporting Branch (UARB).
  - f.2 Projects not originally included as an Executive Budget request, and requests to use the Governor's Project Adjustment Fund (PAF) pursuant to Section 135, shall be submitted to me for my approval through B&F.



- f.3 AA numbers shall be requested from DAGS-UARB. Requests for three or more numbers must be done via fax. The AA number and the anticipated date of Governor's approval shall be typed on the AA prior to submitting the request.
  - f.4 *New appropriation symbols for new cost elements, delegation, or project adjustment fund requests shall be requested from DAGS-UARB in writing.* The appropriation symbols shall be typed on the AA prior to submitting the request.
- g. Grants. The following procedures shall apply to all CIP appropriations to private organizations:
  - g.1 Expenditures of appropriations require my prior approval.
  - g.2 The expending agency shall enter into a contract with the private organization as required by Chapter 42F, HRS. The contract shall provide that the State be reimbursed a pro rata share of the facility costs (monetary or pro rata share of the facility) should the private organization cease to satisfy the specified public purpose.
  - g.3 The executed contract must be submitted to DAGS' Preaudit Branch and will be used to encumber allotted funds.
  - g.4 The private organization should request payment through the expending agency as work progresses on the project.
  - g.5 State funds will be disbursed to the private organization by DAGS on receipt of summary warrant vouchers from expending agencies, with supporting documentation of work completed.
  - g.6 The expending agency shall monitor compliance with Chapter 42F, HRS, and the public purpose and legislative intent of the grant.
- h. Reporting Requirements.
  - h.1 Projects delegated from other expending agencies. The receiving department shall submit a list to B&F detailing all delegated projects as of December 31 and June 30 for each fiscal year.
  - h.2 Supplemental allotments for authorized appropriations using special, revenue bond or revolving funds. Departments shall submit a list to B&F detailing all supplemental allotments as of November 30 of each year.

- h.3 Reduction in scope of project. Departments shall submit a list to B&F detailing all projects that have been reduced in scope as of November 30 of each year.

Each list shall be submitted within one week after the close of each period and shall include: 1) project title; 2) appropriation act, year, and item number; 3) amount and means of financing; 4) AA number and date (as applicable); and 5) original expending agency (for delegations).

- i. CIP Lapsing. All funding for capital improvement projects described in Section 91 of H.B. No. 200, H.D. 1, S.D. 1, C.D. 1, *unencumbered and/or unexpended* as of June 30, 2004, shall lapse as of that date, except for:  
a) non-general funded authorizations which are denoted as necessary to qualify for federal aid financing and reimbursement, and which have been so designated by the Legislature; and b) State Educational Facilities Improvement (SEFI) funded projects requiring more than three years for implementation.
- j. Private Activity Bonds (PAB).

Private entities funded by G.O. and/or G.O.R. bond funds must meet appropriate Internal Revenue Code (IRC) requirements to preserve the tax-exempt status of interest on such bonds. Expending agencies responsible for such authorizations shall ensure that such requirements have been met.

Form PAB must be completed for every project funded by G.O. and G.O.R. bonds listed in your expenditure plan, and are to be submitted with your department's CIP expenditure plan.

27. Operating Program and Expenditure Reports.

- a. *Annual Reports of Forms A, B, and C* should be submitted before **July 13, 2001.**
- b. *Quarterly Updates of Forms A, B, and C* shall be submitted no later than 14 calendar days after the end of each quarter.
- c. Copies of departmental quarterly or monthly financial and program reports prepared for internal use by the department shall be made available to B&F upon request.
- d. Quarterly reports for the DOE and UH shall be submitted as provided by general law.

28. **Other Administrative Reporting Requirements.**

- a. Programs that have revenues from federal sources that are affected by the Federal Balanced Budget Reconciliation Act of 1978 and other federal FY 02 appropriations shall report such changes in the quarterly updates of Program Revenue Details.
- b. Departments affected by the voluntary severance and special retirement incentive benefits in Part V of Act 253/00, shall comply with reporting requirements described in Section 119 of that Act.
- c. Departments shall submit a report to B&F of all (federal or other fund) reimbursements received 30 calendar days before the 2002 Regular Session for incorporation into a statewide report.
- d. Program and departmental responses to provisos in H.B. No. 200, H.D. 1, S.D. 1, C.D. 1, requiring the development, performance, completion, or reporting of studies, reports, findings, evaluations, updates and plans, to the Legislature or appropriate authority shall follow procedures outlined in the E.M. entitled, "Legislation - Guidelines and Procedures."
- e. Act 100/99 requires every department develop and submit a report on the department's goals and objectives; policies, action plan and timetable to meet those goals; and the process to measure achievement and performance. Section 7 of Act 100 provides details of reporting requirements. Three copies of the report should be submitted to the Governor pursuant to the Governor's deadline for legislative reports.

29. **Submission Requirements.**

Full year A-19s and expenditure plans shall be submitted no later than **June 20, 2001**.  
The three Annual Plans, as applicable, shall be submitted no later than **July 13, 2001**.